57898-0102

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE

Applicant:	Danne L. Buchanan, et al.
Title:	METHOD AND SYSTEM FOR PROCESSING FINANCIAL INSTRUMENT DEPOSITS PHYSICALLY REMOTE FROM A FINANCIAL INSTITUTION
Appl. No.:	09/560,779
Filing Date:	04/28/2000
Examiner:	Nga B. Nguyen
Art Unit:	3628

CERTIFICATE OF FACSIMILE TRANSMISSION

I hereby certify that this paper is being facsimile transmitted to the United States Patent and Trademark Office. Alexandria. Virginia on the date below.

BEVERLI Alfaro
(Printed Name)

(Signature)

DECLARATION OF DANNE BUCHANAN
UNDER 37 C.F.R. § 1.132 ON COMMERCIAL SUCCESS AND NON-OBVIOUSNESS

Mail Stop Amendment
Commissioner for Patents
PO Box 1450
Alexandria, Virginia 22313-1450

Dear Sir:

I, the undersigned Danne Buchanan, an American citizen residing at 3362 East Oak Hollow Circle, Sandy, UT 84093 USA, hereby declare and state that:

1.   I am a co-inventor of the invention described and claimed in the above-captioned application. I am familiar with the claims and specification of the above-captioned application. Additionally, I have studied the examiner's November 23, 2004 rejection and I have studied the Geer patent (U.S. Patent No. 5,930,778), the Lowery patent (U.S. Patent No. 6,189,785, the

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Hanaoka et al. patent (U.S. Patent No. 6,257,783), and the Campbell et al. patent (U.S. Patent No. 5,373,550), upon which the examiner bases her rejection.

2.   I am Chief Executive Officer of NetDeposit Inc., the assignee of this application. In addition to my role as CEO of NetDeposit, Inc., I also serve as Executive Vice President of E-Business Solutions Group for Zions Bancorporation, a bank holding company that operates more than 325 full-service banking offices throughout the western United States, of which NetDeposit is a wholly owned subsidiary. I currently serve on the Board of Directors for Western Payment Alliance (Wespay) and as Vice Chairman for Zions Management Services Company. I am a Graduate of the University of Utah with both a Bachelors and a Masters Degree in Business Administration. I have also testified before Congress on banking issues. I have held various positions with Zions Bancorporation continuously since 1978. Accordingly, I have 27 years of banking industry experience. In the various positions I have held in Zions Bancorporation, I was very familiar with competitor check processing operations and competitor thinking at the time of the invention.

3.   I have managed and overseen the conception and development of a commercial product, offered under the name of NetDeposit, implementing the invention described in the above-referenced application and as defined in numbered paragraph 4 below.

4.   The NetDeposit product must be viewed as a whole. The NetDeposit product has been implemented in various embodiments including the following:

a.   A method for deposit processing at a central system a plurality of checks deposited at a remote site with accompanying deposit information, comprising: the central system receiving deposit information for a plurality of different deposit transactions, with the deposit information including for each of the different deposit transactions a deposit account designation, electronic check data and check image data for at least one check to be deposited, wherein the central system is separate from MICR capture, deposit accounting, cash management, and float processing systems for a bank of first deposit and wherein the deposit

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account designation for each of at least a subset of the plurality of the deposit transactions is to a different bank of first deposit; the central system transmitting the electronic deposit data and optionally the check image data for each different deposit transaction of the subset of the plurality of deposit transactions to a respective different one of the banks of first deposit; the central system performing at least one of sorting the received deposit information and error checking the received deposit information in advance of the MICR capture, deposit accounting, cash management, and float processing systems of each of the different banks of first deposit designated in the respective deposit account designations in the deposit information; and the central system transmitting electronic check data and the check image data directly or indirectly to a maker bank or a Federal Reserve Bank or a correspondent bank with the transmitting being in advance of the MICR capture, deposit accounting, cash management, and float processing systems of the bank of first deposit for that deposit transaction.

See claim 47 of the application.

b.   A program product for deposit processing at a central system a plurality of checks deposited at a remote site with accompanying deposit information, the program product comprising: a set of computer usable media having computer readable program code embodied therein to be executed by a computer, wherein a set is one or more, the computer readable program code, when executed, causing a machine to perform the following method steps the central system receiving deposit information for a plurality of different deposit transactions, with the deposit information including for each of the different deposit transactions a deposit account designation, electronic check data and check image data for at least one check to be deposited, wherein the central system is separate from MICR capture, deposit accounting, cash management, and float processing systems for a bank of first deposit and wherein the deposit account designation for each of at least a subset of the plurality of the deposit transactions is to a different bank of first deposit; the central system transmitting the electronic deposit data and optionally the check image data for each different deposit transaction of the subset of the plurality of deposit transactions to a respective different one of the banks of first deposit; the central system performing at least one of sorting the received deposit information and error checking the received deposit information in advance of the MICR capture, deposit accounting, cash management, and float processing systems of each of the different banks of first deposit designated in the respective deposit account designations in the deposit information; and the central system transmitting electronic check data and the check image data directly or indirectly to a maker bank or a Federal Reserve Bank or a correspondent bank with the transmitting being in advance of the MICR capture, deposit accounting, cash management, and float processing systems of the bank of first deposit for that deposit transaction.

See claim 75 of the application.

c.   A system for deposit processing at a central system a plurality of checks deposited at a remote site with accompanying deposit information, comprising: an electronic storage; and a set of processors that use the electronic storage, wherein a set is one or more, and wherein the set of processors include among them the following components: a component at the central system for receiving deposit information for a plurality of different deposit transactions, with the deposit information including for each of the different deposit transactions a deposit account designation, electronic check data and check image data for at least one check to be deposited, wherein the central system is separate from MICR capture, deposit accounting, cash management, and float processing systems for a bank of first deposit and wherein the deposit account designation for each of at least a subset of the plurality of the deposit transactions is to a different bank of first deposit; a component at the central system for transmitting the electronic deposit data and optionally the check image data for each different deposit transaction of the subset of the plurality of deposit transactions to a respective different one of the banks of first deposit; a component at the central system performing at least one of sorting the received deposit information and error checking the received deposit information in advance of the MICR capture, deposit accounting, cash management, and float processing systems of each of the different banks of first deposit designated in the respective deposit account designations in the deposit information; and a component at the central system for transmitting electronic check data and the check image data directly or indirectly to a maker bank or a Federal Reserve Bank or a correspondent bank with the transmitting being in advance of the MICR capture, deposit accounting, cash management, and float processing systems of the bank of first deposit for that deposit transaction.

See claim 103 of the application.

5.   I have reviewed claim 47, which is recited as the first paragraph of paragraphs number 4. As part of the claimed combination as a whole, the following limitation is present:

"the central system receiving deposit information for a plurality of different deposit transactions, with the deposit information including for each of the different deposit transactions a deposit account designation, electronic check data and check image data for at least one check to be deposited, wherein the central system is separate from MICR capture, deposit accounting, cash management, and float processing systems for a bank of first deposit and wherein the deposit account designation for each of at least a subset of the plurality of the deposit transactions is to

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a different bank of first deposit;" "the central system transmitting the electronic deposit data and optionally the check image data for each different deposit transaction of the subset of the plurality of deposit transactions to a respective different one of the banks of first deposit." These limitations are absent from the patents cited by the examiner.

6.   My opinion, based on my study of Geer, is that Geer discloses an operation and a transmission between a check payee receiving station 4 (see Fig. 1 of Geer) to a single bank of first deposit 10, and from the bank of first deposit to Federal Reserve Payment System 12 (see column 9, lines 29-41). It does not disclose a central system in advance of plural different banks of first deposit, which central system services multiple different banks of first deposit, much less one using check image data as part of the transaction in the clearing process with maker banks or a Federal Reserve Bank or a correspondent bank.

7.   My opinion, based on my study of Hanaoka, is that Hanaoka relates to a printer and a printer control method which may be used to print checks. My opinion after studying Lowery, is that Lowery relates to point of sale operations and transmissions of check data with no transmissions to banks of first deposit. The only communication with a bank of first deposit in Lowery is by the ACH/Federal Reserve system. See element 126 in Fig. 2b. My opinion after studying Campbell, is that Campbell discloses transmissions between a bank of first deposit 36 and a payor (maker) bank 34. See Figs. 1 and 2 and column 2, lines 36-49, which clarifies that the disclosed operation is for check clearing, not operation as a central receiving and distribution site in advance of and operating to transmit to multiple different banks of first deposit in multiple different deposit procedures.

8.   Since none of the references cited by the examiner disclose this feature of transmission to multiple different banks of first deposit, the combination of these references, even if they could be combined to obtain an operable system (which they cannot), would still not supply this deficiency.

9.   Note that the examiner has stated that Fig. 1 shows the central system as the bank of first deposit. This is not correct. Fig. 1 is clear that the bank of first deposit 101 and its cash management and deposit systems 103 and 104 are operationally separate from the central

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system 102 from a system standpoint. In one embodiment of the invention the central system may be co-located at a bank. Whether or not there is co-location with a bank of first deposit has no bearing on the invention. The systems are separate. We have demonstrated in the application that one of the features of the invention is a central receiving and distribution function for multiple different banks of first deposit. In all circumstances, whether or not there is co-location, the central system does not include the bank of first deposit MICR capture, deposit accounting, cash management, and float processing systems. Thus, for the purposes of this claim 47 it is possible that a bank of first deposit could be co-located with the central system, but it would operate separate from the bank of first deposit, with different program systems.

10.   Note that even assuming that the examiner was correct (which she is not) that the central system is merely a bank of first deposit (which the specification makes clear it is not, i.e., in all cases the central system is different from the bank of first deposit MICR capture and accounting systems), none of the prior art used by the examiner discloses a bank of first deposit that operates as a receiving site for multiple other banks of first deposit. In other words, the claim is patentable even with the examiner's incorrect assertion.

11.   The examiner states at page 5 of her office action that Geer does not disclose the situation where the central system is not a bank of first deposit for these checks. The examiner then argues that employing a central system to handle deposited checks is well known in the art, so that it "would have been obvious to one of ordinary skill in the art at the time the invention was made to modify Geer's system to incorporate the feature above for the purpose of providing more efficiency in processing the deposited checks." However, there is no possible reason why a bank of first deposit would set up a central system to process checks for other unrelated banks of first deposit. Thus, in my opinion such a modification is not obvious in Geer and would not provide "more efficiency in processing the deposited checks" in the Geer operation.

12.   Additionally, in claim 47, which is recited as the first paragraph of paragraphs number 4, as a part of the claimed combination as a whole, the following limitation is present:

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"the central system transmitting electronic check data and the check image data directly or indirectly to a maker bank or a Federal Reserve Bank or a correspondent bank with the transmitting being in advance of the MICR capture, deposit accounting, cash management, and float processing systems of the bank of first deposit for that deposit transaction." This limitation is not disclosed in any of the four patents cited by the examiner.

13.   The language for this element covers direct and indirect transmissions from the central system to the maker bank or the Federal Reserve Bank or correspondent bank. After studying the four cited patent, it is my opinion as follows:

14.   My understanding from my study of the Geer patent and from my review of the examiner's November 23, 2004 rejection is that this central system transmitting limitation is not found in the Geer patent, but that the examiner thinks that employing a central system to handle the deposited checks on behalf of a bank of first deposit and to send electronic check data and the check image data to the maker bank is well known in the art. However, the concept of bypassing the bank of first deposit MICR capture, deposit accounting, cash management, and float processing systems in a transmitting step that transmits both the electronic check and the check image data to the maker bank is not done in the banking industry and is counter-intuitive because the bank of first deposit MICR capture and/or accounting programs (as is done on Geer) control most aspects of the check clearing process. The advantage of the *"being in advance of MICR capture, deposit accounting, cash management, and float processing systems of the bank of first deposit"* limitation is that it not only significantly reduces delay in the processing by the maker bank, but it also enhances security by eliminating the possibility of the insertion of virus,' Trojan horses, or other malicious code while the image and attendant data is passing through the computer links and processing of these systems in the bank of first deposit.

15.   Moreover, after studying column 4, line 54 – column 5, line 9 and column 8, lines 9-21, and column 9, lines 1-4 and column 9, lines 11-34 of Geer, my opinion is that Geer directly teaches away from the limitation. I base this on the fact that those passages in Geer make it clear to me that the check image is being used only for archival purposes either at the remote site or the bank of first deposit. In addition to the multiple references to archival purposes in Geer, the fact that the check image transmission is optional, per column 9, lines 1-4,

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means to me that the check image is not and could not be part of any clearing process requiring an image of the check. Even more important, the Geer specification makes it clear at column 9, lines 11-34, that anything going to the maker bank first passes through and is sorted and routed through the accounting programs of the bank of first deposit.

> The information from the electronic scanning 6 performed at the payee's location is transmitted via a suitable communication link 11 to the depository bank 10. At the depository bank, the appropriate adjustments of the payee's account balances by the depository bank are carried out 13. The payee's account is credited with the appropriate amounts as such are compiled by the payee and the information thereof is received electronically from the payee. The electronic check information is sorted and routed via 14, with appropriate electronic information added thereto to insure proper routing through the payment and clearing system to the appropriate payor bank. Electronic information of the sorted checks transmitted for particular payor banks, the equivalent of a cash letter, is included with each electronic bundle of checks.
>
> The electronic check information as sorted, grouped and annotated 14 by the depository bank is sent via an appropriate communication link 15 into the payment system 12. The payment system 12 includes clearing institutions such as the Federal Reserve Banks, correspondent banks, The National Clearinghouse Association (described in United States Letters Pat. No. 5,265,007), the electronic check clearing house organization (described in Stephens et al., supra), and like mechanisms. (Emphasis added.)

16.   Thus, in my opinion Geer clearly teaches that the optional check image is not used as a part of the presentment process at the maker bank. There is no recognition of the use of an image as a fundamental part of the transaction with the maker bank or Federal Reserve Bank or correspondent bank. More importantly, if somehow someone misconstrues the above language as a teaching of optionally transmitting the check image from the bank of first deposit to the maker/payor bank for archival purposes (which it does not), it is a direct teach-away from the claim element that the accounting programs in the bank of first deposit are to be bypassed in the transmission path from the central system to the maker bank. Thus, it is my firm opinion that there would be no motivation in one of ordinary skill in the art at the time of the invention to modify Geer to now transmit to the maker bank with the transmission "being in advance of the MICR capture, deposit accounting, cash management, and float processing systems of the bank of first deposit."

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16.   Based on my study of Campbell, that patent discloses a sending institution 14, e.g., one of a bank of first deposit or the payor bank, sending a check image to a receiving institution 16, e.g., the other of the bank of first deposit or the payor bank. See column 2, lines 35-49 of Campbell. Note that there is no disclosure in Campbell of a remote site sending an image of the check. Additionally, the transmission in Campbell is between two banks. The central system, whether or not it is co-located at a bank of first deposit for convenience, is not a bank MICR capture of accounting system (the programmatic systems are different).

17.   Moreover, there is <u>no motivation</u> disclosed why someone of ordinary skill would want to modify the Geer method so that a remote site telephone company or any other site could send check images first to a central system that processes checks for multiple different banks of first deposit, (note that the telephone company will have <u>only one</u> bank of first deposit for receiving its checks from the Geer site), and then bypass the telephone company's bank of first deposit and go directly to the maker bank or the Federal Reserve Bank or correspondent bank. Rather Geer discloses a lock-box operation for a telephone company, power company or other business that receives a large number of checks, each with a payment stub identifying the telephone or power company bank account that is being paid. See the Field of the Invention, column 1, lines 18-24; see the Background of the Invention, column 3, lines 30 – column 4, line 26; and Description of the Preferred Embodiment, column 6, lines 24-66.

18.   The claimed invention of claim 47 (the first paragraph of numbered paragraphs 4) covers a comprehensive system to handle and process deposit transactions and direct them after processing to multiple banks of first deposit. The claimed system is designed to handle the problems raised by deposit processing that is based on image processing wherein multiple banks of first deposit are serviced and multiple maker banks may be serviced.

19.   In my opinion based on my study of the four cited prior art patents and the examiner's November rejection and my experience in the banking industry, the sum of the individual citations in this four reference combination, even if they could be combined piecemeal (which they cannot because there is a fundamental lack of motivation to combine to obtain our

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claimed invention) still do not meet the claim as a whole with its image data, its transmission to multiple different banks of first deposit, and its transmissions directly or indirectly to the maker bank or the Federal Reserve Bank or correspondent bank but bypassing the *MICR capture, deposit accounting, cash management, and float processing systems* of the bank of first deposit, in the context of the other elements.

20.   The foregoing explanation applies equally to claim 75 (the second paragraph of numbered paragraph 4 above), which tracks the limitations of claim 47 in substantial aspects, as well as to claim 103 (the third paragraph of numbered paragraph 4 above) which tracks the limitations of claim 47 in substantial aspects.

COMMERCIAL SUCCESS

21.   The NetDeposit product as recited in the embodiments defined in paragraph number 4, achieved substantial commercial success in spite of legal requirements that imposed significant practical impediments to implementation of the invention as defined in numbered paragraph 4, namely, the law required contractual agreements between parties before this system could be implemented. Under the law in effect prior to October 2004, banks were required to present paper checks to the maker bank, which would use the paper checks to debit the amount of the check from the account of the individual/business that wrote the check and send that money to the bank of first deposit of the individual/business to whom the check was written. The only way that the paper requirement could be avoided was via an explicit agreement with each individual checkmaker allowing an image of his/her check to be processed and cleared instead of the actual paper check itself.

22.   Prior to October 2004 and in spite of the legal requirements to have agreements in place with the millions of potential checkmakers before the invention defined in numbered paragraph 4 could be implemented with commercial customers, the invention as defined in numbered paragraphs 4 was deployed with Raymond James sites, Sysco Food sites, and for Zions Bank and CitiBank. The usage data is as follows:

Quarter2 2003   3 remote locations   ran 40,000 check items;
Quarter3 2003   5 remote locations   ran 122,000 check items;
Quarter4 2003   8 remote locations   ran 79,000 check items;

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Quarter1 2004   9 remote locations   ran 217,000 check items;

Quarter2 2004   17 locations   ran 270,000 check items;

Quarter3 2004   116 locations   ran 323,000 check items.

In my opinion, this data demonstrates significant growth, all occurring prior to legislation abolishing the aforementioned legal requirements that imposed significant practical impediments to implementation of the invention as defined in numbered paragraph 4.

23.   After October 2004 and the passage of the Check 21 legislation, the NetDeposit product as defined in paragraph 4 above has been implemented at over 1000 commercial locations, comprising on the order of 600-650 different commercial entities. Note that the Check 21 law, Public Law 108-100, facilitates check truncation by creating a new negotiable instrument called a substitute check, which permits banks to truncate original paper checks.

24.   Note that the Check 21 law does not require or even suggest the use of a central system in advance of *the MICR capture, deposit accounting, cash management, and float processing systems of* the bank of first deposit. The Check 21 law does not require or suggest a transmission from the central system to the maker bank *"with the transmitting being in advance of the MICR capture, deposit accounting, cash management, and float processing systems of the bank of first deposit for that deposit transaction."* The Check 21 law does not require or even suggest *"the central system transmitting the electronic deposit data and optionally the check image data for each different deposit transaction of the subset of the plurality of deposit transactions to a respective different one of the banks of first deposit."* .

25.   Accordingly, it is my opinion as a person of at least ordinary skill in the art, and probably more than ordinary skill in the art of banking and check processing at the time of the invention, that the foregoing evidence of substantial <u>commercial success, coupled with</u> my analysis and firm opinion that one of ordinary skill in the banking art at the time of the invention <u>would not possibly be motivated to modify</u> the Geer system with the teachings of the other patents cited by the examiner for *"the*
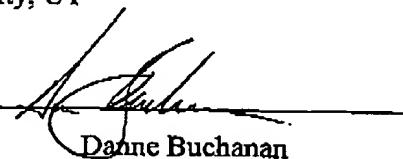
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central system transmitting electronic check data and the check image data directly or indirectly to a maker bank or a Federal Reserve Bank or a correspondent bank with the transmitting in advance of the MICR capture, deposit accounting, cash management, and float processing systems of the bank of first deposit for that deposit transaction" (see claim 47 of the application), and further coupled with my analysis and firm opinion that one of ordinary skill in the banking art at the time of the invention <u>would not possibly be motivated</u> to modify Geer with the teachings of the other patents cited by the examiner to have a *computer in the central system,* which is defined as bypassing the MICR capture, deposit accounting, cash management, and float processing systems for the bank of first deposit, operating so that the *"the central system transmitting the electronic deposit data and optionally the check image data for each different deposit transaction of the subset of the plurality of deposit transactions to a respective different one of the banks of first deposit,"* that the invention as defined in numbered paragraph 4 is novel and clearly non-obvious to one of ordinary skill in the art.

26.   I hereby declare that all statements made herein, unless otherwise indicated, are of my own knowledge and are true, and that all statements made on information and belief are believed to be true; and further that these statements were made with the knowledge that willful false statements and the like so made are punishable by fine or imprisonment, or both, under 18 U.S.C. § 1001, and that such willful false statements can jeopardize the validity of any patent issuing from the captioned application or claiming the benefit of its priority.

Dated: May 2, 2005
Salt Lake City, UT

Signed by: _____
              Danne Buchanan

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